

**LOS ANGELES UNIFIED SCHOOL DISTRICT**  
Proposition BB, Measure K, Measure R, and  
Measure Y School Bond Construction Programs  
Agreed-Upon Procedures Report  
For the Year Ended June 30, 2015,  
Statements of Bond Expenditures  
and Supplementary Schedules as of June 30, 2015  
(With Independent Auditor's Reports Thereon)





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## **Independent Accountant's Report on Applying Agreed-Upon Procedures and Management's Responses to Exceptions**

The Honorable Board of Education  
Los Angeles Unified School District:

We have performed the procedures enumerated below, for the Proposition BB, Measure K, Measure R, and Measure Y School Bond Construction Programs (Bond Programs) which were agreed to by the Los Angeles Unified School District's (the District or LAUSD) officials and bond oversight committee, solely to assist the District and its management in fulfilling its oversight responsibility surrounding the administration of the Bond Programs for the year ended June 30, 2015. District management is responsible for the administration of the Bond Programs. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and the corresponding findings are as follows. The samples selected below were for Proposition BB, Measure K, Measure R, and Measure Y expenditures, unless otherwise noted.

### **Procedure 1**

From a population of all expenditures charged to Commitment Item #500000 in the general ledger for the year ended June 30, 2015, we selected a total of 50 expenditures samples with WBS account assignments from the Local Bond Funds (Proposition BB, Measure K, Measure R, and Measure Y) to represent the following distributions:

- 10 expenditures to represent Facilities (non-Maintenance and Operations (M&O)),
- 25 expenditures to represent M&O,
- 10 expenditures to represent Information Technology Division (ITD) – Select ITD samples to include expenditures for the Instruction Technology Initiative (ITI) (formerly Common Core Technology Project), My Integrated Student Information System (MiSiS), and IT Network Upgrades, and
- 5 expenditures to represent Integrated Library and Textbook Support Services (ILTSS).

We obtained supporting invoices for the expenditures selected and performed the following procedures:



- 1.1 We tested the 50 invoices from the different Bond Funds selected in Procedure 1 to determine whether amounts expended were consistent with the work scope of each of the respective bond measures as presented to the voters and further defined by various Board approved Strategic Execution Plans and amendments.

### ***Results***

We read the ballot measures to understand the work scope and list of specific projects proposed to be financed with the proceeds of the Local Bonds. We then inspected the invoices supporting the samples tested to determine whether amounts expended were consistent with the work scope of each bond measure. As required by Section 3 of Proposition 39, a list of specific projects is to be presented to the voter in each ballot. As such, we identified the projects to which the above expenditures were incurred and traced these projects to the Bond Project List presented in the Full Text of Ballot Measure K, R and Y (Proposition BB was issued under the traditional authority and not under Proposition 39; therefore references to specific school facilities projects were not required).

No exceptions were noted as a result of performing this procedure.

- 1.2 We tested the 50 invoices from the different Local Bond Funds selected in Procedure 1, to determine whether the corresponding projects or non-project allocations in each of the invoices were included in the related Strategic Execution Plan (SEP) or approved SEP amendments. If the invoice had multiple projects, up to 5 projects from the invoice were traced to the SEP.

### ***Results***

No exceptions were noted as a result of performing this procedure.

- 1.3 For the items selected in Procedure 1 that represents FSD construction payments, we determined whether the following requirements of construction project payment procedures had been met:
  - a) There are signatures on the required lines where the Contractor has certified the Application for Payment; and that the Owner Authorized Representative (OAR) has certified that the services have been rendered.
  - b) Payment package includes the Encumbrance/Payment request form, the Application for Payment, the Owner Assessment Summary, and other necessary supporting documents.

### ***Results***

There were 5 samples that we selected in Procedure 1 above which represented construction payments. No exceptions were noted as a result of performing this procedure.



- 1.4 For the items selected in Procedure 1 above, we determined whether the payment package was appropriately approved and reviewed for payment.

### ***Results***

No exceptions were noted as a result of performing this procedure.

## **Procedure 2**

From the population of all expenditures charged to Commitment Item #700000 in the general ledger for the fiscal year ended June 30, 2015, we selected a total of up to five (5) inter-fund transfers out (IFT-Out) transaction samples from the Proposition 39 Local Bond funds (Measure K, Measure R, and Measure Y) to represent Board-authorized Bond work scope that is executed outside of the Local Bond funds. We traced the inter-fund transfer from Local Bond funds to the non-Bond program (functional area) where the work scope commitments are recorded and selected a total of 10 non-labor expenditure samples charged to Commitment Items #400000, #500000, and #600000, related to the Bond inter-fund transfers out. We obtained supporting invoices for these selected expenditures and performed the following procedure:

- 2.1 For each invoice selected in Procedure 2, we determined whether amounts expended were consistent with the work scope in the Board Report authorizing Other Financing Uses of Bond funds.

### ***Results***

No exceptions were noted as a result of performing this procedure.

## **Procedure 3**

From the population of all expenditures charged to Commitment Item #500000 in the general ledger for the fiscal year ended June 30, 2015, we selected a total of 20 expenditure samples from the Local Bond funds (Proposition BB, Measure K, Measure R, and Measure Y) corresponding to 20 staff augmentation / professional services staffing agreements with 12 samples representing Facilities (non-M&O), 2 samples representing M&O, and 6 samples representing ITD. We obtained supporting invoices for these selected expenditures and performed the following procedure:

- 3.1 We obtained a copy of each agreement, and reviewed each invoice selected in procedure 3, and reviewed the rates of the individuals within the invoices, to determine the consistency with the terms of the agreement. We reviewed up to five individuals for each invoice tested.

### ***Results***

No exceptions were noted as a result of performing this procedure.



#### **Procedure 4**

From the population of all expenditures charged to Commitment Items #100000 and #200000 in the general ledger for the fiscal year ended June 30, 2015, we selected a total of 50 expenditure samples from the Proposition 39 Local Bond funds (Measure K, Measure R, and Measure Y) representing the following distribution:

- 8 expenditures to represent Facilities (excluding M&O),
- 25 expenditures to represent M&O,
- 8 expenditures to represent ITD,
- 2 expenditures to represent ILTSS,
- 2 expenditures to represent OIG,
- 2 expenditures to represent OGC, and
- 3 expenditures to represent Finance and Office of Bond Compliance.

We performed the following procedure:

- 4.1** For each expenditure selected in procedure 4 for Proposition 39 Local Bond funds (Measure K, Measure R, and Measure Y), we determined whether the items selected were spent on “administrator salaries” as referenced in the ballot measures, or “teacher salaries” as referenced in the State Proposition 39 as codified in the State Constitution, Article 13A, Section 1(b) (3) (A). Refer to additional guidance provided by the California Attorney General regarding “...Employee Salaries for Bond Program Administrative Oversight”.

#### ***Results***

No exceptions were noted as a result of performing this procedure.

#### **Procedure 5**

From the population of all expenditures charged to Commitment Items #400000 and #500000 in the general ledger for the fiscal year ended June 30, 2015, we selected a total of 50 expenditure samples that have Facilities “Indirect” WBS Commitments or have cost center commitments for those outside of Facilities from the Proposition 39 Local Bond funds (Measure K, Measure R, and Measure Y) to represent the following distribution:

- 10 expenditures to represent Facilities (excluding M&O),
- 22 expenditures to represent M&O,
- 10 expenditures represent ITD,
- 2 expenditures to represent ILTSS,
- 2 expenditures to represent OIG,
- 2 expenditures to represent OGC, and
- 2 expenditures to represent Finance and Office of Bond Compliance.

We obtained supporting invoices for the selected expenditures and performed the following procedure:

- 5.1** For each expenditure selected in procedure 5 for Proposition 39 Local Bond funds (Measure K, Measure R, and Measure Y), we determined whether the items selected were spent on “other day-to-day school operating expenses” as referenced in the State Proposition 39 as codified in the State Constitution Article 13A, Section 1 (b) (3) (A). Refer to additional guidance provided by the California Attorney General regarding “... Employee Salaries for Bond Program Administrative Oversight”.

### ***Results***

We noted no expenditures in Commitment Items #400000 and #500000 for the OGC. As such this procedure is not applicable for this department.

No exceptions were noted as a result of performing this procedure.

## **Procedure 6**

From a list of Facilities construction contract change orders generated from the COLIN or Maximo systems approved during the fiscal year ended June 30, 2015, we selected a total of 25 samples, including up to 5 samples from M&O, if any, from the population of all the Local Bond funds (Proposition BB, Measure K, Measure R, and Measure Y). We obtained the District Change Order Procedures and performed the following review to determine compliance with the procedures.

- 6.1** We determined compliance with the following Change Order Policy approval thresholds:
- For new construction work, individual Change Orders may not exceed ten percent (10%) of the original contract price.
  - For demolition, reconstruction or rehabilitation work of existing structures, individual Change Orders may exceed ten percent (10%) according to Public Contract Code, but must not exceed twenty-five percent (25%) of the original contract price.

### ***Results***

We identified one (1) Job Order Contract (JOC) Change Order in which the total amount of the Change Order exceeded the threshold, as stipulated in the Change Order Policy, of 25% of the original contract price.

The Change Order was approved as the nature of the cost was related to reimbursement of plans and permits, which based on the department’s analysis qualified as an appropriate exception to the threshold requirement. The Change Order Policy does not stipulate acceptable reasons for the approval of a Change Order which exceeds the threshold requirement. As a result the Change Order was not approved according to the Change Order Policy.

### ***Management Response***

The Job Order Contracting procedure did not provide guidance on a job order change of this nature. In this situation there was an unforeseen increase in the cost incurred by the contractor for mandated changes to traffic control plans and building permit. Reimbursement of incurred cost does not represent work scope that can be rebid. This was a small job that was deemed suitable for immediate execution by job order contracting. The change increases a \$31,811 job order by \$12,033 or 37% to \$43,844. While the percentage increase exceeds the limit, the amount is a low order of magnitude. The Job Order Contracting procedure draft is under review to provide guidance on this and similar exceptions, if any. This process will be completed in May 2016.

- 6.2** We determined whether the change order package was submitted with the required documents in accordance with the Change Order checklist from the change order preparation requirements (the checklist form is not required to be included in retained documentation).

#### ***Results***

No exceptions were noted as a result of performing this procedure.

- 6.3** For End User-initiated change orders, we verified whether the related scope changes did not commence nor the Owner Authorized Representative (OAR) did not process the Change Order until the following has been completed:
- a) End User-initiated Scope Change Request Form completed by OAR
  - b) Review and approval by Construction Manager/ Senior Project Manager, Regional Construction Director and Deputy Director of Facilities Project Execution
  - c) Request For Proposal (RFP) or Constructive Directive (CD) issued to Contractor.

#### ***Results***

None of the 25 samples we tested were an End User-Initiated change order. As such, this procedure is not applicable.

- 6.4** We verified compliance with the signatory requirements on the Change Order form.

#### ***Results***

We identified one (1) M&O Change Order in which the signatory requirements as stipulated on the Change Order form was not consistent with the requirements stipulated in the Change Order Policy.

Although the Change Order was compliant as per the requirements on the Change Order form, we identified that these requirements were inconsistent with that of the Change Order Policy.



### ***Management Response***

The approval thresholds and signatures on the Change Order form are correct but are not reflected in the effective Change Order procedure for the audit period. The Change Order form used was updated May 8, 2014, while the effective Change Order procedure was last revised January 30, 2013. FSD initiated an effort to bring all Facilities procedures up to date in February 2014. Unfortunately, the Change Order procedure update is still in draft form to date. Facilities tend to revise forms in shorter cycles than the procedures since the responsible parties are often in different groups. Facilities will revise and align both the Change Order form and procedure and assign responsibility to coordinate further revisions. This process will be completed in April 2016.

- 6.5** We reviewed the change orders for splitting for the purpose of avoiding threshold limits.

### ***Results***

For the samples selected, we searched for additional change orders approved for the same contract during fiscal year ended June 30, 2015, and verified that either the initial submittal of the change orders occurred on different dates, or the nature of the services to be performed on the change orders were not related.

No exceptions were noted as a result of performing this procedure.

### **Procedure 7**

We determined whether the total expenditures reported in the year-end “Summary Statements of Bond Expenditures and Other Uses” for each G.O. Bond fund reconcile with the corresponding Comprehensive Annual Financial Report (CAFR) bond fund expenditures for the year ended June 30, 2015.

### ***Results***

No exceptions were noted as a result of performing this procedure.

### **Procedure 8**

We selected a sample of 10 projects from the 2015 Facilities Services Division (FSD) Strategic Execution Plan (SEP). We reviewed the sample projects for compliance with the LAUSD School Construction Bond Citizens’ Oversight Committee (BOC) Memorandum of Understanding for Facilities SEP projects for approved changes that occur in the fiscal year ended June 30, 2015:

- 8.1** For each of the 10 projects, we compared the SEP project budgets from the 2014 FSD SEP to the 2015 FSD SEP. For each project with a 2015 FSD SEP project budget that increased \$100,000 or more than the 2014 FSD SEP project budget, if applicable, we determined if the budget increase was reported to the BOC.

### ***Results***

No exceptions were noted as a result of performing this procedure.

- 8.2** For each of the 10 projects, we compared the project's scheduled substantial completion date from the 2014 FSD SEP to the 2015 FSD SEP. For each project with a 2015 FSD SEP substantial completion date that is 180 days later than the 2014 FSD SEP substantial completion date, if applicable, we determined if the project's schedule change in readiness for use as a school or campus element was reported to the BOC.

### ***Results***

No exceptions were noted as a result of performing this procedure.

- 8.3** For each of the 10 projects, we compared the project's scope from the 2014 FSD SEP to the 2015 FSD SEP. For each project with a 2015 FSD SEP scope that differs significantly from the 2014 FSD SEP scope, if applicable, we determined if the project's scope change was reported to the BOC.

### ***Results***

No exceptions were noted as a result of performing this procedure.

## **Procedure 9**

We selected a sample of four (4) Local Bond Information Technology Division (ITD) projects from the 2015 ITD SEP: Instruction Technology Initiative (ITI, formerly Common Core Technology Project), My Integrated Student Information System (MiSiS), Information Technology Network Upgrade, and Radio Systems. We reviewed for compliance with the LAUSD School Construction Bond Citizens' Oversight Committee (BOC) Memorandum of Understanding for ITD projects:

- 9.1** For each of the four (4) project types selected in procedure 9, we compared the 2014 ITD SEP Current Budget to the 2015 ITD SEP Current Budget. For each project with a 2015 ITD SEP Current Budget that increased \$100,000 or more than the 2014 ITD SEP Current Budget, if applicable, we determined whether the budget increase was reported to the BOC.

### ***Results***

No exceptions were noted as a result of performing this procedure.

- 9.2** For each of the four (4) projects selected in procedure 9, we compared the scheduled completion dates from the 2014 ITD SEP to the 2015 ITD SEP. For each project that has a 2015 ITD SEP substantial completion date that is 180 days or greater than the 2014 ITD SEP substantial completion date, if applicable, we determined whether the project's scope change was reported to the BOC.



### ***Results***

No exceptions were noted as a result of performing this procedure.

- 9.3** For each of the four (4) projects selected in procedure 9, we compared the project's scope from the 2014 ITD SEP to the 2015 ITD SEP. For each project with 2015 ITD SEP scope that differs significantly from the 2014 ITD SEP, if applicable, we determined whether the project's scope change was reported to the BOC.

### ***Results***

No exceptions were noted as a result of performing this procedure.

## **Procedure 10**

We inquired of the Board of Education as to whether a survey of the compensation of managers of major construction programs and managers of major public and private facilities in comparable locations across the United States in both the public and private sector had been performed in accordance with the provision of Measure Y on a timely basis.

- 10.1** We determined whether Facilities Services Division management compensation survey was performed and presented to the Board of Education.
- 10.2** We determined whether the Board of Education declared a finding that the managers of the District's Facilities Services Division are being compensated accordingly.

### ***Results***

The compensation test is a requirement from the November 2005 Bond Measure Y, which is on a two-year cycle ending in even number ended fiscal years. This procedure was reported in the previous fiscal year and is not required for the year ended June 30, 2015.

## **Procedure 11**

We followed-up with management regarding the status of the FY 13-14 findings. See below for prior year findings, and the current status:

### **Finding – FY 13-14 - Procedure 10.2**

We inquired of District management as to whether a survey of the compensation of managers of major construction programs and managers of major public and private facilities in comparable locations across the United States in both the public and private sector had been performed in accordance with the provision of Measure Y.



**10.2** We determined whether the Board of Education declared a finding that the managers of the District's Facilities Services Division are being compensated accordingly.

### ***Results***

According to the provisions of Measure Y, managers of the Facilities Services Division shall have the educational and employment experience comparable to that of persons with similar responsibility in the private sector.

To ensure that the District employs managers of the Division who are so qualified, the Board shall no less than biennially, cause a survey of compensation of managers of major construction programs and managers of major public and private sectors, and the Board shall make a finding that the managers of the District's Facilities Services Division are being compensated accordingly.

We inquired of District management and verified that a survey was performed by the District's Personnel Commission in FY 13-14 that was aimed at addressing the provisions of Measure Y above. Although a survey was conducted, the District did not present the results of the survey to the Board of Education.

Consequently, the District was unable to obtain a declaration from the Board of Education that the managers of the District's Facilities Services Division are being compensated accordingly. Based on the information gathered above, the District is not in full compliance with the requirements of Measure Y.

### ***Management Response***

The District's Personnel Commission completed a draft report on management compensation, including compensation for employees in the Facilities Services Division. This report had been shared with Senior Leadership. Given continuing District budget concerns, management will discuss next steps regarding this report, including the requirements set forth in the District's local bond measures.

### ***Current Status***

Partially implemented. The management compensation survey was conducted, and the former Superintendent shared the report with the Board of Education; however, the District was unable to obtain a declaration from the Board of Education that the managers of the District's Facilities Services Division are being compensated accordingly. The survey is scheduled to be conducted this year and those results which would include updated salaries may be utilized to fulfill the bond language.



We were not engaged to, and did not conduct an examination, the objective of which would be the expression of an opinion on the District's administration of the Proposition BB, Measure K, Measure R and Measure Y School Bond Construction Program. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

The District's written response to the exceptions identified in the report has not been subjected to auditing procedures and accordingly, we do not express an opinion on it.

The report is intended only for the information and use of the Board of Education, management, and members of the Citizens' Oversight Committee of the Los Angeles Unified School District and is not intended to be, and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read 'Simpson &amp; Simpson', written in a cursive style.

Los Angeles, California

February 9, 2016

**LOS ANGELES UNIFIED SCHOOL DISTRICT**  
**PROPOSITION BB SCHOOL BOND CONSTRUCTION PROGRAM**  
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## Independent Auditor's Report

The Honorable Board of Education  
Los Angeles Unified School District:

We have audited the accompanying statement of bond expenditures (Statement) of the **Proposition BB School Bond Construction Program** of the Los Angeles Unified School District (the District) for the year ended June 30, 2015 and the related notes to the Statement.

### Management's Responsibility for the Statement of Bond Expenditures

Management is responsible for the preparation and fair presentation of the Statement in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the Statement that is free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on the Statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the Statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the Statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



## **Opinion**

In our opinion, the statement of bond expenditures referred to above presents fairly, in all material respects, the expenditures of the Proposition BB School Bond Construction Program of the Los Angeles Unified School District for the year ended June 30, 2015 in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Supplementary and Other Information*

Our audit was conducted for the purpose of forming an opinion on the statement of bond expenditures of the Proposition BB School Bond Construction Program of the Los Angeles Unified School District. The accompanying supplementary schedule of sources and uses of funds and fund balance and supplementary schedule of bond expenditures for the period from April 8, 1997 (inception) to June 30, 2015 (Supplementary Schedules), are presented for purposes of additional analysis, and are not a required part of the statement of bond expenditures.

The Supplementary Schedules have not been subjected to the auditing procedures applied in the audit of the statement of bond expenditures, and accordingly, we do not express an opinion or provide any assurance on them.

A handwritten signature in cursive script, reading 'Simpson &amp; Simpson'.

Los Angeles, California  
February 9, 2016

**LOS ANGELES UNIFIED SCHOOL DISTRICT**  
**PROPOSITION BB SCHOOL BOND CONSTRUCTION PROGRAM**  
Statement of Bond Expenditures  
Year Ended June 30, 2015

<b>Cost Category</b>	<b>2015</b>
<b>Facilities Services Division (FSD) Capital Programs</b>	
New Construction	\$ 153,492
School Modernization	1,577,505
Charter Schools	103,335
Indirects	3,681,040
Total FSD Capital Programs	5,515,372
<b>Total Expenditures, June 30, 2015</b>	<b>\$ 5,515,372</b>

See accompanying notes to statement of bond expenditures.

**LOS ANGELES UNIFIED SCHOOL DISTRICT**  
**PROPOSITION BB SCHOOL BOND CONSTRUCTION PROGRAM**

Notes to Statement of Bond Expenditures  
Year Ended June 30, 2015

**(1) Proposition BB School Bond Construction Program Background**

Proposition BB Initiative (Proposition BB) authorized the Los Angeles Unified School District (District) to issue \$2.4 billion in general obligation bonds. Bond proceeds are to be utilized for projects such as the repair of safety hazards, asbestos removal, installation of air-conditioning, making classrooms accessible to the disabled, upgrading security, and the construction of new classrooms. Proposition BB specifically states that no bond proceeds are to be used for administrator salaries.

The Proposition BB School Bond Construction Program (Program) is intended to provide needed health and safety improvements to more than 800 deteriorating schools and 15,000 buildings and to match state funds for new construction and modernization projects. The District Board of Education has established a Citizen's Oversight Committee to ensure that the proceeds of the Proposition BB School Bond Construction Program bond issuances are used for the purposes stated in the resolution, which placed the Proposition BB on the 1997 ballot.

**(2) Basis of Presentation**

The accompanying statement of bond expenditures has been prepared in conformity with U.S. generally accepted accounting principles. The accompanying statement of bond expenditures reflects the flow of current financial resources measurement focus and is presented on the modified accrual basis of accounting.

***a) Actual Expenditures Incurred***

The amounts included within the accompanying statement of bond expenditures represent actual expenditures paid and accrued by the District for the year ended June 30, 2015, adjusted by discounts received from the vendors. The actual expenditure amounts included expenditures of bond proceeds, reimbursements of bond proceeds, and interest earned on the bond proceeds and reimbursements.

***b) Cost Category***

The major cost categories in the statement of bond expenditures for Proposition BB represent bond programs funded by the bond. The cost category "Indirects" refer to all expenditures that should not or cannot be reasonably attributed to individual projects.

An example of "Indirect" cost is program management. Program management, includes program-level support costs for staff members of the Facilities Executive Office and Facilities Services Division (FSD) branches as well as non-FSD support which includes costs of support staff outside of FSD charged to the bond program, such as offices of the General Counsel, Inspector General, Accounts Payable, and Risk Management.

**UNAUDITED SUPPLEMENTARY SCHEDULES**

**LOS ANGELES UNIFIED SCHOOL DISTRICT**  
**PROPOSITION BB SCHOOL BOND CONSTRUCTION PROGRAM**  
 Unaudited Supplementary Schedule of Sources and Uses of Funds and Fund Balance  
 Period from April 8, 1997 (inception) through June 30, 2015  
 (Unaudited)

Sources of Funds from Inception through June 30, 2015:

Bonds Issued - FY 1997-98 through FY 2002-03 (final issuance)	\$ 2,400,000,000
Interest Income - FY 1997-98 through FY 2013-14	177,095,693
Interest Income - FY 2014-15	163,524
Local Income - FY 2001-02 through FY 2013-14	239,866
Transfers In (Reimbursements) - Other Financing Sources (OFS)	
FY 2006-07 through FY 2013-14	196,932,777
Transfers In (Reimbursements) - OFS FY 2014-15	<u>2,017,754</u>
Total Sources of Funds, June 30, 2015	2,776,449,614
Uses of Funds (Expenditures) from Inception through June 30, 2015	<u>(2,761,616,208)</u>
<b>Fund Balance, June 30, 2015</b>	<b><u><u>\$ 14,833,406</u></u></b>

See accompanying independent auditor's report.

**LOS ANGELES UNIFIED SCHOOL DISTRICT  
PROPOSITION BB SCHOOL BOND CONSTRUCTION PROGRAM**

Unaudited Supplementary Schedule of Bond Expenditures  
Period from April 8, 1997 (inception) through June 30, 2015  
(Unaudited)

Cost Category	Adjusted Budget	Actual Expenditures Incurred			Unexpended Balance
		April 8, 1997 (Inception) through June 30, 2014	Expenditures Year Ended June 30, 2015	Total Expenditures through June 30, 2015	
Facilities Services Division (FSD)					
Capital Programs					
New Construction	\$ 828,112,719	\$ 822,567,182	\$ 153,492	822,720,674	\$ 5,392,045
School Modernization	1,915,043,208	1,910,135,549	1,577,505	1,911,713,054	3,330,154
Charter Schools	116,215		103,335	103,335	12,880
Indirects	9,841,361	61,998	3,681,040	3,743,038	6,098,323
Total FSD Capital Programs	2,753,113,503	2,732,764,729	5,515,372	2,738,280,101	14,833,402
Other Costs					
Employee Benefits	3,100,417	3,100,417	-	3,100,417	-
Cost of Issuance	1,140,865	1,140,865	-	1,140,865	-
Office of Inspector General	3,750,000	3,749,996	-	3,749,996	4
Total Other Costs	7,991,282	7,991,278	-	7,991,278	4
Other Financing Uses					
COPs Defeasance: Transfers Out to Debt Service Fund	15,344,829	15,344,829	-	15,344,829	-
Total Other Financing Uses	15,344,829	15,344,829	-	15,344,829	-
Total Proposition BB Bond Expenditures					
	\$ 2,776,449,614	\$ 2,756,100,836	\$ 5,515,372	\$ 2,761,616,208	\$ 14,833,406

See accompanying independent auditor's report and notes to unaudited supplementary schedule of bond expenditures.

**LOS ANGELES UNIFIED SCHOOL DISTRICT**  
**PROPOSITION BB SCHOOL BOND CONSTRUCTION PROGRAM**

Notes to Unaudited Supplementary Schedule of Bond Expenditures

Period from April 8, 1997 (inception) through June 30, 2015

(Unaudited)

**(1) Background**

The unaudited supplementary schedule of bond expenditures, presents expenditures of the Proposition BB School Bond Construction Program for the period from April 8, 1997 (inception) through June 30, 2015.

**(2) Basis of Presentation**

The accompanying unaudited supplementary schedule of bond expenditures has been prepared in conformity with U.S. generally accepted accounting principles. The accompanying unaudited supplementary schedule of bond expenditures reflects the flow of current financial resources measurement focus and is presented on the modified accrual basis of accounting.

***a) Adjusted Budget***

The amounts included within the adjusted budget column in the accompanying unaudited supplementary schedule of bond expenditures represent the prior year expenditures from April 8, 1997 (inception) through June 30, 2014 and FY 2014-15 budget authority requested from the Board of Education for costs that are expected to be expended and/or obligated to complete the various projects.

***b) Actual Expenditures Incurred***

The amounts included within the actual expenditures incurred columns in the accompanying unaudited supplementary schedule of bond expenditures represent actual expenditures paid and accrued by the District for the period from April 8, 1997 (inception) through June 30, 2015, adjusted by discounts received from the vendors. The actual expenditure amounts included expenditures of bond proceeds, reimbursements of bond proceeds, and interest earned on the bond proceeds and reimbursements.

***c) Unexpended Balance***

The amounts included within the unexpended balance column in the accompanying unaudited supplementary schedule of bond expenditures represent the difference between the adjusted budget column and the total expenditures through June 30, 2015 column.

**LOS ANGELES UNIFIED SCHOOL DISTRICT  
PROPOSITION BB SCHOOL BOND CONSTRUCTION PROGRAM**

Notes to Unaudited Supplementary Schedule of Bond Expenditures

Period from April 8, 1997 (inception) through June 30, 2015

(Unaudited)

***d) Cost Category***

The major cost categories in the unaudited supplementary schedule of bond expenditures for Proposition BB represent bond programs funded by the bond. The cost category “Indirects” refer to all expenditures that should not or cannot be reasonably attributed to individual projects.

An example of “Indirect” cost is program management. Program management, includes program-level support costs for staff members of the Facilities Executive Office and Facilities Services Division (FSD) branches as well as non-FSD support which includes costs of support staff outside of FSD charged to the bond program, such as the Office of the General Counsel, Inspector General, Accounts Payable, and Risk Management.

**LOS ANGELES UNIFIED SCHOOL DISTRICT**  
**MEASURE K SCHOOL BOND CONSTRUCTION PROGRAM**  
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## Independent Auditor's Report

The Honorable Board of Education  
Los Angeles Unified School District:

We have audited the accompanying statement of bond expenditures (Statement) of the **Measure K School Bond Construction Program** of the Los Angeles Unified School District (the District) for the year ended June 30, 2015 and the related notes to the Statement.

### Management's Responsibility for the Statement of Bond Expenditures

Management is responsible for the preparation and fair presentation of the Statement in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the Statement that is free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on the Statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the Statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the Statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



## **Opinion**

In our opinion, the statement of bond expenditures referred to above presents fairly, in all material respects, the expenditures of the Measure K School Bond Construction Program of the Los Angeles Unified School District for the year ended June 30, 2015 in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

As described in note 2 to the statement of bond expenditures, the accompanying statement of bond expenditures was prepared to comply with the requirements of California's Proposition 39, *Smaller Classes, Safer Schools and Financial Accountability Act*.

### *Supplementary and Other Information*

Our audit was conducted for the purpose of forming an opinion on the statement of bond expenditures of the Measure K School Bond Construction Program of the Los Angeles Unified School District. The accompanying supplementary schedule of sources and uses of funds and fund balance and supplementary schedule of bond expenditures for the period from November 5, 2002 (inception) to June 30, 2015 (Supplementary Schedules), are presented for purposes of additional analysis, and are not a required part of the statement of bond expenditures.

The Supplementary Schedules have not been subjected to the auditing procedures applied in the audit of the statement of bond expenditures, and accordingly, we do not express an opinion or provide any assurance on them.

A handwritten signature in black ink, reading 'Simpson &amp; Simpson'.

Los Angeles, California  
February 9, 2016

**LOS ANGELES UNIFIED SCHOOL DISTRICT**  
**MEASURE K SCHOOL BOND CONSTRUCTION PROGRAM**  
Statement of Bond Expenditures  
Year Ended June 30, 2015

<b>Cost Category</b>	<b>2015</b>
<b>Facilities Services Division (FSD) Capital Programs</b>	
New Construction	\$ 4,265,280
School Modernization	6,977,729
Early Childhood Education	578,606
Charter Schools	4,010,026
Indirects	26,418,492
Total FSD Capital Programs	<u>42,250,133</u>
<b>Information Technology Division (ITD) Capital Programs</b>	
Information Technology Network Upgrade	12,707,110
Virtual Learning Complex Planning	429,064
Total ITD Capital Programs	<u>13,136,174</u>
<b>Library Services</b>	108,489
<b>Other Costs</b>	
Office of Inspector General	308
Total Other Costs	<u>308</u>
<b>Total Expenditures, June 30, 2015</b>	<b><u>\$ 55,495,104</u></b>

See accompanying notes to statement of bond expenditures.

**LOS ANGELES UNIFIED SCHOOL DISTRICT**  
**MEASURE K SCHOOL BOND CONSTRUCTION PROGRAM**

Notes to Statement of Bond Expenditures  
Year Ended June 30, 2015

**(1) Measure K School Bond Construction Program Background**

The Measure K School Bond Construction Program (Program) approved by the voters under California Proposition 39, known as the *Smaller Classes, Safer Schools and Financial Accountability Act* (Prop 39), is intended to provide the Los Angeles Unified School District (District) funding for continued improvements to schools and to build new neighborhood schools that will provide an additional 112,000 new seats for children. Additionally, the Program has set funds aside for improving the neighboring communities by enhancing recreational activities and providing after-school space by constructing new schools, new parks and libraries.

The Board of Education has established a School Construction Bond Citizens' Oversight Committee to ensure that the proceeds of the Program's bond issuances are used for the purposes stated in the resolution, which placed Measure K on the 2002 ballot. The Measure K School Bond initiative authorized the issuance of \$3.35 billion in bonds. \$3.35 billion has since been issued between February 2003 and June 2010. The proceeds from the Measure K School Bonds are to be used for projects such as repairing leaky roofs, connecting classrooms to intranets and the internet, equipping libraries at new schools with the initial stock of new books, and construction of new schools and early education centers. All projects to be funded under the Program must be included in the Strategic Execution Plans approved by the Board of Education. The District has established General Obligation Bond Charging Guidelines to outline the allowable expenditures for the Program. Such guidelines specifically state that no funds will be spent for teacher, administrator salaries, or for operating expenses. All projects are managed by District-approved project managers. Each project manager is responsible for managing all project-related activities, including the maintenance of the District's master schedule and the master project budget.

**(2) Basis of Presentation**

The accompanying statement of bond expenditures has been prepared in conformity with U.S. generally accepted accounting principles. The statement of bond expenditures reflects the flow of current financial resources measurement focus and is presented on the modified accrual basis of accounting. Prop 39 requires an annual, independent financial audit of the expenditures of proceeds from the sale of the school facilities bonds until all of the proceeds have been expended. Accordingly, the statement of bond expenditures includes all amounts expended using bond proceeds regardless of expenditure types.

***a) Actual Expenditures Incurred***

The amounts included within the accompanying statement of bond expenditures represent actual expenditures paid and accrued by the District for the year ended June 30, 2015, adjusted by discounts received from the vendors. The actual expenditure amounts included expenditures of bond proceeds, reimbursements of bond proceeds, and interest earned on the bond proceeds and reimbursements.

**LOS ANGELES UNIFIED SCHOOL DISTRICT**  
**MEASURE K SCHOOL BOND CONSTRUCTION PROGRAM**  
Notes to Statement of Bond Expenditures  
Year Ended June 30, 2015

***b) Cost Category***

The major cost categories in the statement of bond expenditures for Measure K represent bond programs funded by the bond. The cost category “Indirects” refer to all expenditures that should not or cannot be reasonably attributed to individual projects.

An example of “Indirect” cost is program management. Program management includes program-level support costs for staff members of the Facilities Executive Office and Facilities Services Division (FSD) branches as well as non-FSD support which includes costs of support staff outside of FSD charged to the bond program, such as the Office of the General Counsel, Accounts Payable, and Risk Management.

**UNAUDITED SUPPLEMENTARY SCHEDULES**

**LOS ANGELES UNIFIED SCHOOL DISTRICT**  
**MEASURE K SCHOOL BOND CONSTRUCTION PROGRAM**  
 Unaudited Supplementary Schedule of Sources and Uses of Funds and Fund Balance  
 Period from November 5, 2002 (inception) to June 30, 2015  
 (Unaudited)

Sources of Funds from Inception through June 30, 2015:

Bonds Issued - FY 2002-03 through FY 2009-10 (final issuance)	\$ 3,350,000,000
Interest Income - FY 2002-03 through FY 2013-14	138,399,001
Interest Income - FY 2014-15	1,615,788
Local Income - FY 2013-14	71,052
Transfers In (Reimbursements) - Other Financing Sources (OFS)	
FY 2006-07 through FY 2013-14	513,020,987
Transfers In (Reimbursements) - Other Financing Sources (OFS)	
FY 2014-15	9,146,330
Adjustments - Bond Premium, net of Cost of Issuance FY 2006-07	5,482,312
Adjustments - Cost of Issuance/Underwriter's Discount FY 2008-09	<u>(1,111,624)</u>
Total Sources of Funds, June 30, 2015	4,016,623,846
Uses of Funds (Expenditures) from Inception through June 30, 2015	<u>(3,808,679,277)</u>
<b>Fund Balance, June 30, 2015</b>	<b><u>\$ 207,944,569</u></b>

See accompanying independent auditor's report.

**LOS ANGELES UNIFIED SCHOOL DISTRICT**  
**MEASURE K SCHOOL BOND CONSTRUCTION PROGRAM**

Unaudited Supplementary Schedule of Bond Expenditures  
Period from November 5, 2002 (inception) to June 30, 2015  
(Unaudited)

Cost Category	Adjusted Budget	Actual Expenditures Incurred			Unexpended Balance
		November 5, 2002 (Inception) through June 30, 2014	Expenditures Year Ended June 30, 2015	Total Expenditures through June 30, 2015	
Facilities Services Division (FSD)					
Capital Programs					
New Construction	\$ 2,969,295,432	\$ 2,852,170,375	\$ 4,265,280	\$ 2,856,435,655	\$ 112,859,777
School Modernization	648,122,470	620,333,535	6,977,729	627,311,264	20,811,206
Early Childhood Education	80,000,000	75,833,500	578,606	76,412,106	3,587,894
Charter Schools	53,500,000	36,542,844	4,010,026	40,552,870	12,947,130
Indirects	79,517,577	5,754,166	26,418,492	32,172,658	47,344,919
Total FSD Capital Programs	3,830,435,479	3,590,634,420	42,250,133	3,632,884,553	197,550,926
Information Technology Division (ITD)					
Capital Programs					
Information Technology Network Upgrade	125,590,133	103,219,402	12,707,110	115,926,512	9,663,621
Virtual Learning Complex Planning	1,909,867	1,249,638	429,064	1,678,702	231,165
Total ITD Capital Programs	127,500,000	104,469,040	13,136,174	117,605,214	9,894,786
Library Services	38,000,000	37,392,654	108,489	37,501,143	498,857
Other Costs					
Employee Benefits	3,780,148	3,780,148	-	3,780,148	-
Cost of Issuance	5,658,218	5,658,218	-	5,658,218	-
Office of Inspector General	11,250,001	11,249,693	308	11,250,001	-
Total Other Costs	20,688,367	20,688,059	308	20,688,367	-
Total Measure K Bond Expenditures	\$ 4,016,623,846	\$ 3,753,184,173	\$ 55,495,104	\$ 3,808,679,277	\$ 207,944,569

See accompanying independent auditor's report and notes to unaudited supplementary schedule of bond expenditures.

**LOS ANGELES UNIFIED SCHOOL DISTRICT**  
**MEASURE K SCHOOL BOND CONSTRUCTION PROGRAM**  
Notes to Unaudited Supplementary Schedule of Bond Expenditures  
Period from November 5, 2002 (inception) to June 30, 2015  
(Unaudited)

**(1) Background**

The unaudited supplementary schedule of bond expenditures, presents expenditures of the Measure K School Bond Construction Program for the period from November 5, 2002 (inception) through June 30, 2015.

**(2) Basis of Presentation**

The accompanying unaudited supplementary schedule of bond expenditures has been prepared in conformity with U.S. generally accepted accounting principles. The accompanying unaudited supplementary schedule of bond expenditures reflects the flow of current financial resources measurement focus and is presented on the modified accrual basis of accounting. The Proposition 39, *Smaller Classes, Safer Schools and Financial Accountability Act* (Prop 39) requires an annual, independent audit of the expenditures of proceeds from the sale of school facilities bonds until all of the proceeds have been expended. Accordingly, the unaudited supplementary schedule of bond expenditures includes all amounts expended using bond proceeds regardless of expenditure types, from inception.

***a) Adjusted Budget***

The amounts included within the adjusted budget column in the accompanying unaudited supplementary schedule of bond expenditures represent the prior year expenditures from November 5, 2002 (inception) through June 30, 2014 and FY 2014-15 budget authority requested from the Board of Education for costs that are expected to be expended and/or obligated to complete the various projects.

***b) Actual Expenditures Incurred***

The amounts included within the actual expenditures incurred columns in the accompanying unaudited supplementary schedule of bond expenditures represent actual expenditures paid and accrued by the District for the period from November 5, 2002 (inception) through June 30, 2015, adjusted by discounts received from the vendors. The actual expenditure amounts included expenditures of bond proceeds, reimbursements of bond proceeds, and interest earned on the bond proceeds and reimbursements.

***c) Unexpended Balance***

The amounts included within the unexpended balance column in the accompanying unaudited supplementary schedule of bond expenditures represent the difference between the adjusted budget column and the total expenditures through June 30, 2015 column.

**LOS ANGELES UNIFIED SCHOOL DISTRICT**  
**MEASURE K SCHOOL BOND CONSTRUCTION PROGRAM**  
Notes to Unaudited Supplementary Schedule of Bond Expenditures  
Period from November 5, 2002 (inception) to June 30, 2015  
(Unaudited)

***d) Cost Category***

The major cost categories in the unaudited supplementary schedule of bond expenditures for Measure K represent bond programs funded by the bond. The cost category “Indirects” refer to all expenditures that should not or cannot be reasonably attributed to individual projects.

An example of “Indirect” cost is program management. Program management includes program-level support costs for staff members of the Facilities Executive Office and Facilities Services Division (FSD) branches as well as non FSD support which includes costs of support staff outside of FSD charged to the bond program, such as the Office of the General Counsel, Accounts Payable, and Risk Management.

**LOS ANGELES UNIFIED SCHOOL DISTRICT**  
**MEASURE R SCHOOL BOND CONSTRUCTION PROGRAM**  
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## Independent Auditor's Report

The Honorable Board of Education  
Los Angeles Unified School District:

We have audited the accompanying statement of bond expenditures (Statement) of the **Measure R School Bond Construction Program** of the Los Angeles Unified School District (the District) for the year ended June 30, 2015 and the related notes to the Statement.

### Management's Responsibility for the Statement of Bond Expenditures

Management is responsible for the preparation and fair presentation of the Statement in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the Statement that is free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on the Statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the Statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the Statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



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## **Opinion**

In our opinion, the statement of bond expenditures referred to above presents fairly, in all material respects, the expenditures of the Measure R School Bond Construction Program of the Los Angeles Unified School District for the year ended June 30, 2015 in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

As described in note 2 to the statement of bond expenditures, the accompanying statement of bond expenditures was prepared to comply with the requirements of California's Proposition 39, *Smaller Classes, Safer Schools and Financial Accountability Act*.

### *Supplementary and Other Information*

Our audit was conducted for the purpose of forming an opinion on the statement of bond expenditures of the Measure R School Bond Construction Program of the Los Angeles Unified School District. The accompanying supplementary schedule of sources and uses of funds and fund balance and supplementary schedule of bond expenditures for the period from March 2, 2004 (inception) to June 30, 2015 (Supplementary Schedules), are presented for purposes of additional analysis, and are not a required part of the statement of bond expenditures.

The Supplementary Schedules have not been subjected to the auditing procedures applied in the audit of the statement of bond expenditures, and accordingly, we do not express an opinion or provide any assurance on them.

A handwritten signature in cursive script, reading 'Simpson &amp; Simpson'.

Los Angeles, California

February 9, 2016

**LOS ANGELES UNIFIED SCHOOL DISTRICT**  
**MEASURE R SCHOOL BOND CONSTRUCTION PROGRAM**  
Statement of Bond Expenditures  
Year Ended June 30, 2015

<b>Cost Category</b>	<b>2015</b>
<b>Facilities Services Division (FSD) Capital Programs</b>	
New Construction	\$ 3,790,446
School Modernization	51,583,035
Adult and Career Education	20,058
Early Childhood Education	5,212,019
Charter Schools	4,691,364
Indirects	86,329,549
Total FSD Capital Programs	<u>151,626,471</u>
<b>Information Technology Division (ITD) Capital Programs</b>	
Instructional Technology Initiative	44,943,787
Information Technology Network Upgrade	10,778,242
Disaster Recovery & Business Continuity	28,626,018
My Integrated Student Information System	23,617,473
Total ITD Capital Programs	<u>107,965,520</u>
<b>Library Services</b>	6,918,731
<b>Other Costs</b>	
Employee Benefits - Other Post-Employment Benefits (OPEB)	6,562,500
Cost of Issuance	331,264
Office of Bond Compliance	6,291
Office of the Inspector General	12,277
Total Other Costs	<u>6,912,332</u>
<b>Total Expenditures and Other Uses, June 30, 2015</b>	<b><u>\$ 273,423,054</u></b>

See accompanying notes to statement of bond expenditures.

**LOS ANGELES UNIFIED SCHOOL DISTRICT  
MEASURE R SCHOOL BOND CONSTRUCTION PROGRAM**

Notes to Statement of Bond Expenditures  
Year Ended June 30, 2015

**(1) Measure R School Bond Construction Program Background**

The Measure R School Bond Construction Program (Program) or "the Safe and Healthy Neighborhood Schools Improvement Act of 2004" approved by the voters under California Proposition 39, known as the *Smaller Classes, Safer Schools and Financial Accountability Act* (Prop 39), is intended to provide the Los Angeles Unified School District (District) funding for continued improvement to schools and to provide an additional 163,233 new seats for children and to build approximately 50 new neighborhood schools.

The Board of Education has established a School Construction Bond Citizens' Oversight Committee to ensure that the proceeds of the Program's bond issuances are used for the purposes stated in the resolution, which placed Measure R on the 2004 ballot. The Measure R School Bond initiative authorized the issuance of \$3.87 billion in bonds. \$3.63 billion has since been issued between March 2004 and June 2010. The proceeds from the Measure R School Bonds are to be used for projects such as: continue repair/upgrade of aging classrooms, restrooms; build neighborhood schools, early education centers; improve security systems, fire/earthquake safety; purchase library books; upgrade computer technology; eliminate asbestos and lead paint hazards; create small learning communities; and construct/upgrade science laboratories and other buildings. All projects to be funded under the Program must be included in the Strategic Execution Plans approved by the Board of Education. The District has established General Obligation Bond Charging Guidelines to outline the allowable expenditures for the Program. Such guidelines specifically state that no funds will be spent for teacher or administrator salaries or for operating expenses.

**(2) Basis of Presentation**

The accompanying statement of bond expenditures has been prepared in conformity with U.S. generally accepted accounting principles. The statement of bond expenditures reflects the flow of current financial resources measurement focus and is presented on the modified accrual basis of accounting. Prop 39 requires an annual, independent financial audit of the expenditures of proceeds from the sale of the school facilities bonds until all of the proceeds have been expended. Accordingly, the statement of bond expenditures includes all amounts expended using bond proceeds regardless of expenditure types.

***a) Actual Expenditures Incurred***

The amounts included within the accompanying statement of bond expenditures represent actual expenditures paid and accrued by the District for the year ended June 30, 2015, adjusted by discounts received from the vendors. The actual expenditure amounts included expenditures of bond proceeds, reimbursements of bond proceeds, and interest earned on the bond proceeds and reimbursements.

**LOS ANGELES UNIFIED SCHOOL DISTRICT**  
**MEASURE R SCHOOL BOND CONSTRUCTION PROGRAM**

Notes to Statement of Bond Expenditures  
Year Ended June 30, 2015

***b) Cost Category***

The major cost categories in the statement of bond expenditures for Measure R represent bond programs funded by the bond. The cost category “Indirects” refer to all expenditures that should not or cannot be reasonably attributed to individual projects.

An example of “Indirect” cost is program management. Program management includes program-level support costs for staff members of the Facilities Executive Office and Facilities Services Division (FSD) branches as well as non FSD support which includes costs of support staff outside of FSD charged to the bond program, such as the Office of the General Counsel, Accounts Payable, and Risk Management.

**(3) Other Post-Employment Benefits (OPEB)**

The amount represents an application of \$30 million in taxable bond proceeds (\$6.6 million from Measure R and \$23.4 million from Measure Y) to fund a portion of the Other Post-Employment Benefits (OPEB) costs allocable to work performed in the current and prior years by District employees on Measure R projects and Measure Y projects, respectively, and was deposited in an OPEB Trust Fund of the District.

**UNAUDITED SUPPLEMENTARY SCHEDULES**

**LOS ANGELES UNIFIED SCHOOL DISTRICT**  
**MEASURE R SCHOOL BOND CONSTRUCTION PROGRAM**  
 Unaudited Supplementary Schedule of Sources and Uses of Funds and Fund Balance  
 Period from March 2, 2004 (inception) to June 30, 2015  
 (Unaudited)

Sources of Funds from Inception through June 30, 2015:	
Bonds Issued - FY 2004-05 through FY 2009-10	\$ 3,634,795,000
Bonds Issued - FY 2014-15	75,215,000
Adjustments - Bond Premium, net of COI FY 2004-05 through FY 2006-07	11,082,578
Adjustments - Cost of Issuance/Underwriter's Discount FY 2008-09	(2,447,946)
Interest Income - FY 2005-06 through FY 2013-14	138,171,647
Interest Income - FY 2014-15	3,226,125
Local Income - FY 2013-14	2,663,268
Local Income - FY 2014-15	15,680,650
Federal Income - FY 2014-15	1,752,450
Transfers In (Reimbursements) - OFS FY 2005-06 through FY 2013-14	878,602,113
Transfers In (Reimbursements) - OFS FY 2014-15	57,911,677
Total Sources of Funds, June 30, 2015	<u>\$ 4,816,652,562</u>
Uses of Funds (Expenditures) from Inception through June 30, 2015	<u>(4,478,937,704)</u>
<b>Fund Balance, June 30, 2015</b>	<b><u>\$ 337,714,858</u></b>

See accompanying independent auditor's report.

**LOS ANGELES UNIFIED SCHOOL DISTRICT**  
**MEASURE R SCHOOL BOND CONSTRUCTION PROGRAM**

Unaudited Supplementary Schedule of Bond Expenditures

Period from March 2, 2004 (inception) to June 30, 2015

(Unaudited)

Cost Category	Adjusted Budget	Actual Expenditures Incurred			
		March 2, 2004 (Inception) through June 30, 2014	Expenditures Year Ended June 30, 2015	Total Expenditures through June 30, 2015	Unexpended Balance
Facilities Services Division (FSD)					
Capital Programs					
New Construction	\$ 1,854,166,710	\$ 1,788,257,525	\$ 3,790,446	\$ 1,792,047,971	\$ 62,118,739
School Modernization	1,866,677,591	1,706,409,143	51,583,035	1,757,992,178	108,685,413
Adult and Career Education	25,000,000	24,528,551	20,058	24,548,609	451,391
Early Childhood Education	94,195,609	60,213,995	5,212,019	65,426,014	28,769,595
Charter Schools	71,885,324	41,898,267	4,691,364	46,589,631	25,295,693
Indirects	180,514,894	94,185,345	86,329,549	180,514,894	-
Total FSD Capital Programs	4,092,440,128	3,715,492,826	151,626,471	3,867,119,297	225,320,831
Information Technology Division (ITD)					
Capital Programs					
Instructional Technology Initiative	157,291,794	79,892,454	44,943,787	124,836,241	32,455,553
Information Technology Network Upgrade	247,930,742	168,738,137	23,617,473	192,355,610	55,575,132
Disaster Recovery & Business Continuity	22,375,863	6,607,705	10,778,242	17,385,947	4,989,916
My Integrated Student Information System	53,491,015	9,947,401	28,626,018	38,573,419	14,917,596
Radio System	1,864,969	1,864,969		1,864,969	-
Total ITD Capital Programs	482,954,383	267,050,666	107,965,520	375,016,186	107,938,197
Library Services	53,000,000	41,885,482	6,918,731	48,804,213	4,195,787
Other Costs					
Employee Benefits - OPEB	11,065,191	4,502,691	6,562,500	11,065,191	-
Cost of Issuance	12,162,733	11,831,469	331,264	12,162,733	-
Office of Bond Compliance	418,241	157,195	6,291	163,486	254,755
Office of Inspector General	10,000,145	9,987,868	12,277	10,000,145	-
Total Other Costs	33,646,310	26,479,223	6,912,332	33,391,555	254,755
Other Financing Uses					
COPs Defeasance: Transfers Out to Debt Service Fund	150,000,000	149,994,712	-	149,994,712	5,288
Information Technology Initiative Phase 1 Reimbursements: Transfers Out to Special Reserve Fund	4,611,741	4,611,741	-	4,611,741	-
Total Other Financing Uses	154,611,741	154,606,453	-	154,606,453	5,288
Total Measure R Bond Expenditures	\$ 4,816,652,562	\$ 4,205,514,650	\$ 273,423,054	\$ 4,478,937,704	\$ 337,714,858

See accompanying independent auditor's report and notes to unaudited supplementary schedule of bond expenditures.

**LOS ANGELES UNIFIED SCHOOL DISTRICT**  
**MEASURE R SCHOOL BOND CONSTRUCTION PROGRAM**  
Notes to Unaudited Supplementary Schedule of Bond Expenditures  
Period from March 2, 2004 (inception) to June 30, 2015  
(Unaudited)

**(1) Background**

The unaudited supplementary schedule of bond expenditures, presents expenditures of the Measure R School Bond Construction Program for the period from March 2, 2004 (inception) through June 30, 2015.

**(2) Basis of Presentation**

The accompanying unaudited supplementary schedule of bond expenditures has been prepared in conformity with U.S. generally accepted accounting principles. The accompanying unaudited supplementary schedule of bond expenditures reflects the flow of current financial resources measurement focus and is presented on the modified accrual basis of accounting. The Proposition 39, *Smaller Classes, Safer Schools and Financial Accountability Act* (Prop 39) requires an annual, independent audit of the expenditures of proceeds from the sale of school facilities bonds until all of the proceeds have been expended. Accordingly, the unaudited supplementary schedule of bond expenditures includes all amounts expended using bond proceeds regardless of expenditure types, from inception.

***a) Adjusted Budget***

The amounts included within the adjusted budget column in the accompanying unaudited supplementary schedule of fund balance: uses represent the prior year expenditures from March 2, 2004 (inception) through June 30, 2014 and FY 2014-15 budget authority requested from the Board of Education for costs that are expected to be expended and/or obligated to complete the various projects.

***b) Actual Expenditures Incurred***

The amounts included within the actual expenditures incurred columns in the accompanying unaudited supplementary schedule of bond expenditures represent actual expenditures paid and accrued by the District for the period from March 2, 2004 (inception) through June 30, 2015, adjusted by discounts received from the vendors. The actual expenditure amounts included expenditures of bond proceeds, reimbursements of bond proceeds, and interest earned on the bond proceeds and reimbursements.

***c) Unexpended Balance***

The amounts included within the unexpended balance column in the accompanying unaudited supplementary schedule of bond expenditures represent the difference between the adjusted budget column and the total expenditures through June 30, 2015 column.

**LOS ANGELES UNIFIED SCHOOL DISTRICT**  
**MEASURE R SCHOOL BOND CONSTRUCTION PROGRAM**  
Notes to Unaudited Supplementary Schedule of Bond Expenditures  
Period from March 2, 2004 (inception) to June 30, 2015  
(Unaudited)

***d) Cost Category***

Certain cost categories for expenditures incurred from inception to June 30, 2014 have been reclassified, however, these reclassifications have no impact on the total bond expenditures. The major cost categories in the unaudited supplementary schedule of bond expenditures from inception for Measure R represent bond programs funded by the bond. The cost category “Indirects” refer to all expenditures that should not or cannot be reasonably attributed to individual projects.

An example of “Indirect” cost is program management. Program management includes program-level support costs for staff members of the Facilities Executive Office and Facilities Services Division (FSD) branches as well as non FSD support which includes costs of support staff outside of FSD charged to the bond program, such as the Office of the General Counsel, Accounts Payable, and Risk Management.

**LOS ANGELES UNIFIED SCHOOL DISTRICT**  
**MEASURE Y SCHOOL BOND CONSTRUCTION PROGRAM**  
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## Independent Auditor's Report

The Honorable Board of Education  
Los Angeles Unified School District:

We have audited the accompanying statement of bond expenditures (Statement) of the **Measure Y School Bond Construction Program** of the Los Angeles Unified School District (the District) for the year ended June 30, 2015 and the related notes to the Statement.

### Management's Responsibility for the Statement of Bond Expenditures

Management is responsible for the preparation and fair presentation of the Statement in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the Statement that is free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on the Statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the Statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the Statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



## **Opinion**

In our opinion, the statement of bond expenditures referred to above presents fairly, in all material respects, the expenditures of the Measure Y School Bond Construction Program of the Los Angeles Unified School District for the year ended June 30, 2015 in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

As described in note 2 to the statement of bond expenditures, the accompanying statement of bond expenditures was prepared to comply with the requirements of California's Proposition 39, *Smaller Classes, Safer Schools and Financial Accountability Act*.

### *Supplementary and Other Information*

Our audit was conducted for the purpose of forming an opinion on the statement of bond expenditures of the Measure Y School Bond Construction Program of the Los Angeles Unified School District. The accompanying supplementary schedule of sources and uses of funds and fund balance and supplementary schedule of bond expenditures for the period from November 8, 2005 (inception) to June 30, 2015 (Supplementary Schedules), are presented for purposes of additional analysis, and are not a required part of the statement of bond expenditures.

The Supplementary Schedules have not been subjected to the auditing procedures applied in the audit of the statement of bond expenditures, and accordingly, we do not express an opinion or provide any assurance on them.

A handwritten signature in cursive script, reading 'Simpson &amp; Simpson'.

Los Angeles, California  
February 9, 2016

**LOS ANGELES UNIFIED SCHOOL DISTRICT**  
**MEASURE Y SCHOOL BOND CONSTRUCTION PROGRAM**  
Statement of Bond Expenditures  
Year Ended June 30, 2015

<b>Cost Category</b>	<b>2015</b>
<b>Facilities Services Division (FSD) Capital Programs</b>	
New Construction	\$ 7,022,433
School Modernization	172,947,378
Information Technology Network Upgrade	92,951,568
Adult and Career Education	14,639,233
Early Childhood Education	544,419
Charter Schools	619,880
Indirects	6,014,358
Total FSD Capital Programs	294,739,269
<b>Information Technology Division (ITD) Capital Programs</b>	
Instructional Technology Initiative	16,060,450
Information Technology Network Upgrade	14,555,255
Radio System	126,388
Virtual Learning Complex Planning	267,089
Total ITD Capital Programs	31,009,182
<b>Transportation (Buses)</b>	1,356,683
<b>Other Costs</b>	
Employee Benefits - Other Post-Employment Benefits (OPEB)	23,437,500
Cost of Issuance	303,061
Office of Bond Compliance	965,052
Office of the Inspector General	2,624,346
Total Other Costs	27,329,959
<b>Other Financing Uses</b>	
Cafeteria: Transfers Out to Special Reserve Fund Capital Outlay	20,554,147
Integrated Student Information Systems (ISIS):	
Transfer Out to Special Reserve Fund Capital Outlay	12,663,712
Transfers Out to Cafeteria Fund - CIPR Cafeteria	1,298,691
ISIS: Transfers Out to General Fund - Restricted	756,683
Total Other Financing Uses	35,273,233
<b>Total Expenditures and Other Uses, June 30, 2015</b>	<b>\$ 389,708,326</b>

See accompanying notes to statement of bond expenditures.

**LOS ANGELES UNIFIED SCHOOL DISTRICT**  
**MEASURE Y SCHOOL BOND CONSTRUCTION PROGRAM**

Notes to Statement of Bond Expenditures  
Year Ended June 30, 2015

**(1) Measure Y School Bond Construction Program Background**

The Measure Y School Bond Construction Program (Program) or "the Safe and Healthy Neighborhood Schools Repair and Construction Measure of 2005" approved by the voters under California Proposition 39, known as the *Smaller Classes, Safer Schools and Financial Accountability Act* (Prop 39), is intended to provide the Los Angeles Unified School District (District) funding to continue the repair and modernization of existing schools, replace bungalows with permanent classrooms, abate asbestos hazards, upgrade fire and safety systems, expand early education facilities, and provide sufficient core facilities at hundreds of schools.

The Board of Education has established a School Construction Bond Citizens' Oversight Committee to ensure that the proceeds of the Program's bond issuances are used for the purposes stated in the resolution, which placed Measure Y on the 2005 ballot. The Measure Y School Bond initiative authorized the issuance of \$3.985 billion in bonds. \$3.54 billion has since been issued between November 2005 and June 2010. The proceeds from the Measure Y School Bonds are to be used for projects such as the following: build neighborhood schools; bungalow repair and removal; upgrade and redesign campuses to create smaller schools; install and upgrade fire alarm systems; undertake complete asbestos hazard removal program; air condition remaining non-air-conditioned buildings; perform school alterations and improvements; upgrade and reinforce computer networks, school information systems, and technology capability; upgrade emergency radio systems; build new and repair existing early education centers in neediest areas; promote alternative education models like joint use and small learning communities; build, plan, and equip charter schools; replace all special education buses; give low performing schools added resources to improve results; audit and oversight of bond projects; and open new schools with sufficient number of library books. All projects to be funded under the Program must be included in the Strategic Execution Plans approved by the Board of Education. The District has established General Obligation Bond Charging Guidelines to outline the allowable expenditures for the Program. Such guidelines specifically state that no funds will be spent for teacher, administrator salaries or for operating expenses.

**(2) Basis of Presentation**

The accompanying statement of bond expenditures has been prepared in conformity with U.S. generally accepted accounting principles. The statement of bond expenditures reflects the flow of current financial resources measurement focus and is presented on the modified accrual basis of accounting. Prop 39 requires an annual, independent financial audit of the expenditures of proceeds from the sale of the school facilities bonds until all of the proceeds have been expended. Accordingly, the statement of bond expenditures includes all amounts expended using bond proceeds regardless of expenditure types.

**LOS ANGELES UNIFIED SCHOOL DISTRICT**  
**MEASURE Y SCHOOL BOND CONSTRUCTION PROGRAM**

Notes to Statement of Bond Expenditures  
Year Ended June 30, 2015

***a) Actual Expenditures Incurred***

The amounts included within the accompanying statement of bond expenditures represent actual expenditures paid and accrued by the District for the year ended June 30, 2015, adjusted by discounts received from the vendors. The actual expenditure amounts included expenditures of bond proceeds, reimbursements of bond proceeds, and interest earned on the bond proceeds and reimbursements.

***b) Cost Category***

The major cost categories in the statement of bond expenditures for Measure Y represent bond programs funded by the bond. The cost category “Indirects” refer to all expenditures that should not or cannot be reasonably attributed to individual projects.

An example of “Indirect” cost is program management. Program management includes program-level support costs for staff members of the Facilities Executive Office and Facilities Services Division (FSD) branches as well as non FSD support which includes costs of support staff outside of FSD charged to the bond program, such as the Office of the General Counsel, Accounts Payable, and Risk Management.

**(3) Other Post-Employment Benefits (OPEB)**

The amount represents an application of \$30 million in taxable bond proceeds (\$6.6 million from Measure R and \$23.4 million from Measure Y) to fund a portion of the Other Post-Employment Benefits (OPEB) costs allocable to work performed in the current and prior years by District employees on Measure R projects and Measure Y projects, respectively, and was deposited in an OPEB Trust Fund of the District.

**UNAUDITED SUPPLEMENTARY SCHEDULES**

**LOS ANGELES UNIFIED SCHOOL DISTRICT**  
**MEASURE Y SCHOOL BOND CONSTRUCTION PROGRAM**  
 Unaudited Supplementary Schedule of Sources and Uses of Funds and Fund Balance  
 Period from November 8, 2005 (inception) to June 30, 2015  
 (Unaudited)

Sources of Funds from Inception through June 30, 2015:

Bonds Issued - FY 2005-06 through FY 2009-10	\$ 3,542,235,000
Bonds Issued - FY 2014-15	60,615,000
Adjustments - Bond Premium, net of Cost of Issuance FY 2005-06	6,614,884
Adjustments - Cost of Issuance/Underwriter's Discount FY 2008-09	(667,495)
Interest Income - FY 2005-06 through FY 2013-14	97,359,762
Interest Income - FY 2014-15	2,020,653
Local Income - FY 2007-08 through FY 2013-14	32,327,721
Local Income - FY 2014-15	4,699,997
Transfers In (Reimbursements) - Other Financing Sources (OFS)	
FY 2005-06 through FY 2013-14	391,255,411
Transfers In (Reimbursements) - OFS FY 2014-15	54,251,169
Total Sources of Funds, June 30, 2015	4,190,712,102
Uses of Funds (Expenditures) from Inception through June 30, 2015	(4,059,678,708)
<b>Fund Balance, June 30, 2015</b>	<b>\$ 131,033,394</b>

See accompanying independent auditor's report.

**LOS ANGELES UNIFIED SCHOOL DISTRICT**  
**MEASURE Y SCHOOL BOND CONSTRUCTION PROGRAM**

Unaudited Supplementary Schedule of Bond Expenditures  
Period from November 8, 2005 (inception) to June 30, 2015  
(Unaudited)

Cost Category	Adjusted Budget	Actual Expenditures Incurred			
		November 8, 2005	Expenditures Year Ended June 30, 2015	Total	Unexpended Balance
		(Inception) through June 30, 2014		Expenditures through June 30, 2015	
Facilities Services Division (FSD)					
Capital Programs					
New Construction	\$ 2,350,186,614	\$ 2,310,888,120	\$ 7,022,433	\$ 2,317,910,553	\$ 32,276,061
School Modernization	894,403,184	696,873,764	172,947,378	869,821,142	24,582,042
Information Technology Network Upgrade	135,157,908	42,206,339	92,951,568	135,157,907	1
Adult and Career Education	62,198,008	47,558,774	14,639,233	62,198,007	1
Early Childhood Education	38,609,232	30,687,580	544,419	31,231,999	7,377,233
Charter Schools	50,000,000	30,710,502	619,880	31,330,382	18,669,618
Indirects	8,717,449	2,703,091	6,014,358	8,717,449	-
Total FSD Capital Programs	3,539,272,395	3,161,628,170	294,739,269	3,456,367,439	82,904,956
Information Technology Division (ITD)					
Capital Programs					
Instructional Technology Initiative	20,557,965	-	16,060,450	16,060,450	4,497,515
Information Technology					
Network Upgrade	133,192,104	99,143,873	14,555,255	113,699,128	19,492,976
Radio System	30,316,963	19,336,648	126,388	19,463,036	10,853,927
Virtual Learning Complex Planning	2,030,131	1,612,339	267,089	1,879,428	150,703
Total ITD Capital Programs	186,097,163	120,092,860	31,009,182	151,102,042	34,995,121
Transportation (Buses)	25,000,000	21,178,922	1,356,683	22,535,605	2,464,395
Library Services	5,000,000	-	-	-	5,000,000
Other Costs					
Employee Benefits - OPEB	25,280,723	1,843,223	23,437,500	25,280,723	-
Cost of Issuance	8,485,822	8,182,760	303,061	8,485,821	1
Office of Bond Compliance	1,122,100	157,048	965,052	1,122,100	-
Office of Inspector General	17,000,000	8,706,733	2,624,346	11,331,079	5,668,921
Total Other Costs	51,888,645	18,889,764	27,329,959	46,219,723	5,668,922
Other Financing Uses					
COPs Defeasance: Transfers Out to Debt Service Fund	193,738,416	193,738,416	-	193,738,416	-
COPs Defeasance Cafeteria: Transfers Out to Special Reserve Fund Capital Outlay	20,554,147	-	20,554,147	20,554,147	-
COPs Defeasance ISIS: Transfers Out to Special Reserve Fund Capital Outlay	12,663,712	-	12,663,712	12,663,712	-
CIPR Cafeteria: Transfers Out to Cafeteria Fund	4,964,513	3,665,822	1,298,691	4,964,513	-
Buses: Transfers Out to General Fund Restricted	3,460,803	3,460,803	-	3,460,803	-
Transfers Out to General Fund	26,400,000	25,643,317	756,683	26,400,000	-
Deferred Maintenance Match: Transfers Out to General Fund Restricted	120,000,000	120,000,000	-	120,000,000	-
Transfers Out to General Fund	1,672,308	1,672,308	-	1,672,308	-
Total Other Financing Uses	383,453,899	348,180,666	35,273,233	383,453,899	-
Total Measure Y Bond Expenditures	\$ 4,190,712,102	\$ 3,669,970,382	\$ 389,708,326	\$ 4,059,678,708	\$ 131,033,394

See accompanying independent auditor's report and notes to unaudited supplementary schedule of bond expenditures.

**LOS ANGELES UNIFIED SCHOOL DISTRICT**  
**MEASURE Y SCHOOL BOND CONSTRUCTION PROGRAM**  
Notes to Unaudited Supplementary Schedule of Bond Expenditures  
Period from November 8, 2005 (inception) to June 30, 2015  
(Unaudited)

**(1) Background**

The unaudited supplementary schedule of bond expenditures, presents expenditures of the Measure Y School Bond Construction Program for the period from November 8, 2005 (inception) through June 30, 2015.

**(2) Basis of Presentation**

The accompanying unaudited supplementary information, schedule of bond expenditures from inception, has been prepared in conformity with U.S. generally accepted accounting principles. The accompanying unaudited supplementary schedule of bond expenditures from inception reflects the flow of current financial resources measurement focus and is presented on the modified accrual basis of accounting. The Proposition 39, *Smaller Classes, Safer Schools and Financial Accountability Act* (Prop 39) requires an annual, independent audit of the expenditures of proceeds from the sale of school facilities bonds until all of the proceeds have been expended. Accordingly, the unaudited supplementary schedule of bond expenditures includes all amounts expended using bond proceeds regardless of expenditure types, from inception.

***a) Adjusted Budget***

The amounts included within the adjusted budget column in the accompanying unaudited supplementary schedule of bond expenditures from inception represent the prior year expenditures from November 8, 2005 (inception) through June 30, 2014 and FY 2014-15 budget authority requested from the Board of Education for costs that are expected to be expended and/or obligated to complete the various projects.

***b) Actual Expenditures Incurred***

The amounts included within the actual expenditures incurred columns in the accompanying unaudited supplementary schedule of bond expenditures from inception represent actual expenditures paid and accrued by the District for the period from November 8, 2005 (inception) through June 30, 2015, adjusted by discounts received from the vendors. The actual expenditure amounts included expenditures of bond proceeds, reimbursements of bond proceeds, and interest earned on the bond proceeds and reimbursements.

***c) Unexpended Balance***

The amounts included within the fund balance column in the accompanying unaudited supplementary schedule of bond expenditures from inception represent the difference between the adjusted budget column and the total expenditures through June 30, 2015 column.

**LOS ANGELES UNIFIED SCHOOL DISTRICT**  
**MEASURE Y SCHOOL BOND CONSTRUCTION PROGRAM**  
Notes to Unaudited Supplementary Schedule of Bond Expenditures  
Period from November 8, 2005 (inception) to June 30, 2015  
(Unaudited)

***d) Cost Category***

The major cost categories in the unaudited supplementary schedule of bond expenditures from inception for Measure Y represent bond programs funded by the bond. The cost category “Indirects” refer to all expenditures that should not or cannot be reasonably attributed to individual projects.

An example of “Indirect” cost is program management. Program management includes program-level support costs for staff members of the Facilities Executive Office and Facilities Services Division (FSD) branches as well as non FSD support which includes costs of support staff outside of FSD charged to the bond program, such as the Office of the General Counsel, Accounts Payable, and Risk Management.